



COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR




PUBLIC FINANCE AND INVESTMENTS
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MARK J. SALADINO
TREASURER AND TAX COLLECTOR

June 9, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector 

SUBJECT: 2003-2004 TAX AND REVENUE ANTICIPATION NOTES

Today my office sold \$600,000,000 in Tax and Revenue Anticipation Notes (TRANS) priced at a 2.00% coupon with a reoffering yield of 0.90%. The pricing of these notes had originally been scheduled for the week of June 16th; however, two factors influenced our decision to accelerate the pricing to today: a widely anticipated rate reduction by the Federal Reserve Board and the scheduled sale by the State of California of approximately \$11 billion in Revenue Anticipation Warrants scheduled for Wednesday, June 11th.

In the first instance, remarks by Fed Chairman Alan Greenspan last week alluded to additional cuts in the Federal Funds Rate. Most economists now believe the cut will come at the next meeting in late June and will be a minimum of 0.25%. Prices on short-term notes have quickly moved to reflect that reduction. On the second point, continued news stories on the State's budget problems and lack of success in crafting a timely solution is creating negative reactions from investors to both the State and agencies located within the State. There is growing concern that California issues pricing after the State's sale may experience increasingly negative reception from investors.

The quick assessment to these market factors and the reaction of our banking team, led by Lehman Brothers, enabled us to price the notes well in advance of our scheduled date and capitalize on these factors. Although faced with an accelerated schedule and an abbreviated marketing period, the team successfully marketed our notes highlighting the strength of the County's budget and cash management principles and matching the lowest benchmark yields in the California note market to date.

To meet this schedule, we worked with the rating agencies throughout the morning and either received verbal confirmation of our ratings or anticipated ratings in order to

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proceed. Moody's, Standard and Poor's and Fitch have confirmed the highest short-term rates at MIG1, SP1+ and F1+, respectively. We will forward copies of the rating reports when we receive them. Attached is a copy of 2003-2004 Preliminary Official Statement for this transaction. We will forward the final official statement as soon as it becomes available. If you have questions regarding this transaction, please contact me or your staff may contact Deborah Lindholm of my office at 974-7175.

MJS:DL

dtl:trans:04 pricing memo to bos

Attachment

c: Executive Officer, Board of Supervisors
Chief Administrative Officer
Auditor-Controller
County Counsel